NEW STATE AID RULES SHOULD SUPPORT THE RENEWABLE ENERGY TRANSITION, NOT HAMPER IT

Statement from the Photovoltaic industry

Dear Commissioner Almunia,

The European Union has set national renewable energy targets for 2020 as a stepping stone towards a truly sustainable energy future.

Reaching these targets will require continued investments during the six coming years. In this regard, the upcoming Environmental and Energy State Aid Guidelines (EEAG) for 2014-2020 could help Member States address in a cost-efficient manner the remaining market failures renewables are still confronted with.

We, as 28 industry associations representative of the photovoltaic (PV) sector of the whole European Union, are however deeply concerned that the EEAG proposals recently put forward by the European Commission will not only miss such an opportunity, but hamper the cost-effective and successful development of solar PV electricity and other renewable technologies in Europe:

- The distinction between so-called “deployed” and “less-deployed” technologies would create barriers to new entrants in markets where renewables are still under-developed, thus endangering the establishment of a level playing field among investors across Europe.

- By requiring different technologies to compete for support in a technology neutral bidding process, the draft EEAG would unduly constrain Member States’ technology mixes and undermine their capability to reach efficiently their 2020 national binding renewables target. Such an approach would also significantly slow down the development of promising renewable energy technologies which have not yet fully achieved their cost-decline potential. Solar PV still has a long way to go down its learning curve and could therefore increase competition in the electricity sector for the benefits of European consumers.

- The lack of flexibility with regard to the adaptation of existing support schemes and the proposed obligation for Member States to switch to mechanisms which have not demonstrated their effectiveness would create further uncertainty for investors.

- Some proposals are clearly decoupled from the objective of State Aid guidelines, which is to ensure that aid is granted in line with the Treaty provisions. For example, grid stability concerns and cross-border cooperation between Member States are already addressed by the Renewable Energy Directive, this is not the role of the State Aid guidelines.

We therefore ask you to revise the draft EEAG.

We strongly believe that a cost-efficient development of renewables in Europe is possible if State Aid is granted on the basis of tailor-made, technology-specific support mechanisms. Experience has indeed shown that technology-specific support is the best way to avoid
overcompensation. Support schemes should also address specific elements which are unique to each Member State (capital costs, administrative costs, grid costs, etc.).

We are convinced that Member States should remain capable of driving specific technologies down their learning curve, in line with the new energy lending criteria developed by the European Investment bank (Delivering Growth, Security and Sustainability – EIB Screening and Assessment Criteria for Energy Projects, July 2013). This will also ensure that several competitive technologies become available after 2020.

Existing support schemes should not be subject to modification in the conditions proposed.

We also want to highlight the specificities of small-scale generation, for which market-based mechanisms such as auctioning procedures cannot be envisaged. Aid in the form of feed-in-tariffs should therefore remain eligible for small installations and cooperatives-driven projects for all technologies below a 5 MW threshold.

Finally, we believe that State Aid rules should only help reduce market distortions and not try to address issues already covered by other, more relevant pieces of European legislation.

The transition to a sustainable energy future is already underway. We urge the European Commission to support it constructively.

Yours sincerely,